

City of Hartford Pension Commission  
City Conference Room  
260 Constitution Plaza  
Hartford, Connecticut  
Friday, September 26, 2014  
9:00 a.m.

<b>AGENDA</b>
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**INVESTMENT PROGRAM**

- I. Review of Minutes: Meeting of July 25, 2014
- II. Status of the MERF Portfolio
  - Inventory of Assets as of July 31, 2014 and August 31, 2014
  - MERF's Overall Performance
- III. Update from MERF's General Investment Consultant-NEPC
  - Quarter ended June 30, 2014 Performance
  - Liquidity Study
  - RE Recommendation—Opportunistic
- IV. MERF Asset Allocation
- V. Proxy Voting Services Request for Information
- VI. Proposed Schedule of the MERF's Investment Managers Annual Performance Review Meeting Dates for FY 2014-2015
- VII. Other Business



**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission

**From:** *ame*  
Adam M. Cloud, Secretary

**Date:** September 18, 2014

**Subject:** Status of MERF Portfolio as of July 31, 2014  
a. Inventory of Assets  
b. MERF's Overall Performance

Status of MERF Portfolio as of August 31, 2014  
a. Inventory of Assets  
b. MERF's Overall Performance

Portfolio performance reports for the months of July 2014 and August 2014 are enclosed. We look forward to discussing them with you.

INVESTMENTS:  
AGENDA ITEM I



**CITY OF HARTFORD**  
**PENSION COMMISSION**

<b>MEMORANDUM</b>
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**To:** Pension Commission  
**From:** *AMC*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** Review of Minutes from the Meeting of July 25, 2014

Enclosed for your review are the minutes of the investment portion of the Pension Commission meeting of Friday, July 25, 2014.

**INVESTMENTS  
AGENDA ITEM I**

**City of Hartford Pension Commission  
City of Hartford Conference Room  
260 Constitution Plaza  
Hartford, CT 06103  
Friday, July 25, 2014  
9:00 a.m.**

<b>MINUTES</b>
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**INVESTMENT PROGRAM**

**MEMBERS PRESENT:** Peter Stevens, Chairman; Frank Lord, Commissioner; Gene Goldman, Commissioner; Adam M. Cloud, Secretary and Carmen I. Sierra, Assistant Secretary

**MEMBER EXCUSED:** Marc Nelson, Employee Representative

**STAFF PRESENT:** Gary B. Draghi, Director of Investments; P. Wayne Moore, Assistant Director of Investments; Lisa Silvestri, MERF's General Council; Donna Parker, Plan Administrator; Anne Coleman, Assistant Plan Administrator and Terry Williams, Senior Administrative Assistant

**STAFF EXCUSED:** J. Sean Antoine, Principal Administrative Analyst

**OTHERS PRESENT:** Tad Fergusson, Managing Director, Pension Consulting Alliance, the MERF private equity consultant and Kristin Finney-Cooke, Senior Consultant, NEPC, the MERF's general consultant (via telephone)

**I. Review of Minutes: Meeting of June 27, 2014**

Chairman Stevens introduced the item and asked for questions, comments or corrections. There were none.

A motion was made, seconded and adopted to accept the minutes as presented.

## **II. Status of the MERF Portfolio as of June 30, 2014**

Chairman Stevens introduced the item and asked the Investment Unit to report. P. Wayne Moore, the MERF's Assistant Director of Investments, reported that, at June 30, 2014, the MERF portfolio had a market value of approximately \$1 billion and had generated a 1.30% net of fees return for the month, slightly underperforming the benchmark return of 1.40%, by 10 basis points.

Mr. Moore then reported that the MERF's equity portfolio posted a 2.10% net of fees return for the month, underperforming its custom benchmark return of 2.20%, by 10 basis points.

Mr. Moore went on to report that the MERF's fixed income portfolio posted a 0.40% net of fees return for the month, matching the custom benchmark return.

In closing, he reported that the MERF's global tactical asset allocation, private equity and real estate portfolios all posted positive return for the month.

The Commission accepted the report for advice.

## **III. Pension Consulting Alliance Update— Private Equity Performance Report**

Chairman Stevens introduced the item and asked Mr. Tad Fergusson of Pension Consulting Alliance ("PCA"), the MERF's private equity consultant, to report to the Commission. Mr. Fergusson reported that, as of year-end December 31, 2013, the MERF's private equity portfolio program had \$133.5 million in active commitments across 16 partnerships. He stated that the portfolio performance continues to be strong, achieving a net internal rate of return of a 12.2% since inception. He stated that the program's reported value represents 7.6% of the total MERF plan assets as of year-end 2013.

Mr. Fergusson noted that the portfolio cash flows have been net positive over the last three calendar years and that the portfolio is expected to continue to be cash flow positive over the next several years. He added that the portfolio has underperformed the policy benchmark over the latest one-year, three-year and five-year periods, while outperforming over the longer time frames due to the strong performance of the public equity markets. Discussion ensued.

In closing, Mr. Fergusson stated that the MERF's portfolio is appropriately diversified and positioned for continued strong performance.

The Commission accepted the report for advice.

#### **IV. NEPC Update**

Chairman Stevens introduced the item. Secretary Cloud asked the representative from NEPC to report to the Commission. Ms. Finney-Cooke, senior consultant at NEPC, the MERF's general consultant reviewed and discussed the MERF's updated road map. She stated that the Commission and staff should be proud of the recent accomplishments and of their three-year track record. She added that NEPC anticipated that among the next steps for the MERF would be the addition of commodities to the portfolio. In this regard, Ms. Finney-Cooke stated that NEPC would plan to conduct education on investing in commodities, in the latter part of the calendar year.

In response to a question regarding the overall MERF outlook, Ms. Finney-Cooke stated that each year NEPC would conduct a review and devise a strategic plan to determine what implementation actions are needed. Discussion ensued.

**The Commission accepted the report for advice.**

#### **V. LISC Loan — Extension Recommendation**

Chairman Stevens introduced the item. Secretary Cloud asked Mr. P. Wayne Moore to report to the Commission. Mr. Moore stated that Treasurer Cloud recently received a letter from the Local Initiatives Support Corporation ("LISC") requesting that the MERF extend the current \$1 million loan, which bears interest at a rate of 4% annually, for another three years, at the same terms.

Mr. Moore noted that LISC provides funding to rehabilitate houses in Hartford. He stated that this would be the ninth amendment to the original LISC loan and that the terms for this amendment would be the same as the last amendment. Discussion ensued.

**A motion was made, seconded and unanimously adopted to authorize the Treasurer to amend the Local Initiatives Support Corporation loan agreement to add an additional three years to its term.**

#### **VI. Report on Annual Performance Review Meeting with Parametric Clifton**

Chairman Stevens introduced the item. Mr. Gary Draghi, the MERF's Director of Investments, stated that the report was self-explanatory.


**The Commission accepted the report for advice.**

**VII. Other Business**

Chairman Stevens introduced the item. Secretary Cloud stated that there was no further business.

The Commission accepted the report for advice

There being no further business, Chairman Stevens adjourned the meeting.

ATTEST:   
Adam M. Cloud, Secretary

INTEROFFICE MEMORANDUM

**TO:** Adam M. Cloud, City Treasurer  
Carmen I. Sierra, Assistant City Treasurer

**FROM:** Gary B. Draghi, Director of Investments  
P. Wayne Moore, Assistant Director of Investments  
J. Sean Antoine, Principal Administrative Analyst

**DATE:** September 22, 2014

**SUBJECT:** Status of MERF Investment Portfolio as of August 31, 2014

9/25 Mer Value  
1049820/172.55

At August 31, 2014, the market value of the MERF's investment portfolio approximated \$1,056.5 million dollars. The portfolio generated a 1.5% return net of fees for the month (see attached), underperforming the MERF policy benchmark return of 1.7%, by 20 basis points.

Investment returns, net of fees, for the various asset classes and their benchmarks were as follows:

	Assets (\$Millions)	Allocation %		Net Portfolio	Benchmark	Return
		Actual (B)	Policy	Returns	Returns	Variance
Equity	419.0	39.70%	32.00%	2.70%	2.30%	0.40%
Fixed Income	344.60	32.60%	30.50%	1.00%	1.60%	-0.60%
GTAA	73.3	6.90%	7.00%	1.50%	1.50%	0.00%
Private Equity	76.4	7.20%	5.00%	0.50%	4.40%	-3.90%
Private Debt	17.5	1.70%	3.00%	-0.30%	0.20%	-0.50%
Real Estate	47.8	4.50%	8.00%	0.40%	0.00%	0.40%
Hedge Fund	50.0	4.70%	10.00%	0.00%	0.90%	-0.90%
Commodities	0.0	0.0%	3.00%	0.00%	0.00%	0.00%
Cash (A)	25.1	2.40%	1.50%	0.00%	0.00%	0.00%
<b>Total Portfolio</b>	<b>1,056.5</b>	<b>100.00%</b>	<b>100.00%</b>	<b>1.50%</b>	<b>1.70%</b>	<b>-0.20%</b>

Note: Differences due to rounding

(A) Includes Benefit Payment Fund with a balance approximating \$19.5 million.

(B) The MERF began transitioning its investment allocation to conform to the long-term policy allocation targets effective July, 2014. The MERF anticipates that it will take approximately 2 years to complete this process.



## UPDATED INFORMATION

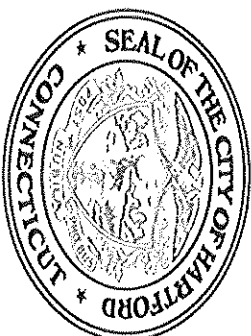
The period from September 1 to September 19, 2014 was <sup>25</sup> ~~positive~~ <sup>negative</sup> for domestic equities, as the Russell 3000 Index generated a <sup>-2.30</sup> ~~0.06%~~ return. The large capitalization sector was outperforming both the medium and small capitalization sectors during the period. Through September 19<sup>th</sup>, 25<sup>th</sup> Growth was outperforming value in all capitalization sectors ~~except the large capitalization sector.~~

The period from September 1 to September 19, 2014 was <sup>25</sup> ~~negative~~ <sup>-3.08</sup> for developed global equities markets as the Russell Global Index generated a <sup>-5.07</sup> ~~negative 0.85%~~ return. Emerging markets returns were also positive as the Russell Emerging Markets Index month-to-date performance was <sup>-5.07</sup> ~~negative 2.57%~~.



NEPC, LLC

YOU DEMAND MORE. So do we.<sup>SM</sup>



# **City of Hartford Municipal**

## **Employees' Retirement Fund**

### **August 2014 Net of Fee Flash Report**

Kristin Finney-Cooke, CAIA, Senior Consultant  
Doug Moseley Partner  
Will Forde, CAIA, Senior Analyst

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | [www.nepc.com](http://www.nepc.com)  
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

# City of Hartford Municipal Employees Retirement Fund

## Net of Fee

Ending August 31, 2014											Inception	
	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since	
International Equity Composite	223,092,590	21.1	1.3	2.8	6.7	0.8	15.4	7.6	8.8	6.2	Sep-97	
International Equity Allocation Index			1.0	2.5	6.3	0.8	18.7	-	-	-	Sep-97	
Russell Global ex US			0.4	0.7	3.5	-0.9	15.6	6.6	6.1	3.9	Sep-97	
Walter Scott Large Growth	57,942,895	5.5	0.5	1.0	2.1	-0.3	10.1	8.2	8.5	4.5	May-06	
MSCI EAFE			-0.2	-1.2	2.6	-2.1	16.4	11.4	8.2	3.0	May-06	
First Eagle All Cap Value	49,341,007	4.7	0.3	0.8	6.2	-1.4	15.1	9.4	10.4	14.2	Oct-02	
MSCI EAFE			-0.2	-1.2	2.6	-2.1	16.4	11.4	8.2	9.5	Oct-02	
Parametric Emerging Markets	57,268,335	5.4	2.1	4.2	9.6	2.8	19.9	-	-	10.9	Jun-12	
MSCI Emerging Markets			2.3	7.0	10.6	4.2	20.0	4.4	7.9	9.8	Jun-12	
Mondrian Emerging Markets	39,887,862	3.8	2.5	6.0	11.4	2.7	18.6	-	-	7.5	Jun-12	
MSCI Emerging Markets			2.3	7.0	10.6	4.2	20.0	4.4	7.9	9.8	Jun-12	
SSGA Emerging Markets	26	0.0										
SSGA EAFE Index	9,266,962	0.9	-0.2	-	-	-0.2	-	-	-	-0.2	Jul-14	
MSCI EAFE			-0.2	-1.2	2.6	-2.1	16.4	11.4	8.2	-0.2	Jul-14	
SSGA Daily MSCI EM Index	9,385,503	0.9	2.8	-	-	2.8	-	-	-	2.8	Jul-14	
MSCI Emerging Markets			2.3	7.0	10.6	4.2	20.0	4.4	7.9	2.3	Jul-14	
Global Asset Allocation Composite	73,297,614	6.9	1.5	1.9	4.8	0.3	14.1	-	-	9.1	Apr-12	
60% MSCI World (Net) / 40% CITI WGBI			1.5	1.5	5.9	0.1	14.7	9.2	8.7	9.8	Apr-12	
BlackRock Global Allocation	37,278,003	3.5	1.9	2.2	4.9	0.9	13.6	-	-	9.7	May-12	
BlackRock Custom Index			1.7	1.8	6.2	0.5	14.9	10.3	9.8	10.4	May-12	
Wellington Opportunistic	36,019,611	3.4	1.1	1.8	4.7	-0.2	14.7	-	-	8.5	May-12	
65% MSCI ACWI (Net) / 35% BC Agg			1.8	2.2	6.4	0.9	15.5	10.3	9.5	10.5	May-12	

SSGA Emerging Markets: Account was liquidated so performance is not applicable.

BlackRock Custom Index: 36% S&P 500, 24% FTSE Developed World ex-US, 24% BofA ML US 5-7 Yr Treasury, 16% Citi Non-US WGBI

Returns are net of manager fees.



NEPC, LLC

August 31, 2014

# City of Hartford Municipal Employees Retirement Fund

## Net of Fee

Ending August 31, 2014												
Inception												
	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since	
<b>International Fixed Income Composite</b>	<b>114,024,415</b>	<b>10.8</b>	<b>0.7</b>	<b>1.0</b>	<b>8.4</b>	<b>0.6</b>	<b>12.6</b>	<b>4.8</b>	<b>-</b>	<b>5.7</b>	<b>Sep-10</b>	
International Fixed Income Allocation Index			0.6	1.0	8.2	0.4	11.3	4.3	-	5.5	Sep-10	
Barclays Global Aggregate			0.5	0.4	4.6	-0.4	6.2	1.3	3.7	3.2	Sep-10	
Prudential Emerging Mkt Debt	71,300,198	6.7	0.7	1.4	10.9	0.9	16.3	8.8	11.4	9.9	Aug-05	
JP Morgan EMBI Global Diversified			0.8	1.6	10.0	1.2	14.6	7.0	9.5	8.3	Aug-05	
Mondrian Global Fixed Income	32,854,416	3.1	0.9	0.4	3.6	0.0	5.3	-0.3	3.5	6.7	Oct-99	
Barclays Global Aggregate			0.5	0.4	4.6	-0.4	6.2	1.3	3.7	5.4	Oct-99	
SSGA Passive World Govt	4,228,585	0.4										
SSGA Passive EM Local Currency	5,641,216	0.5	0.4	-	-	0.4	-	-	-	0.4	Jul-14	
Citi WGBI ex US			0.2	0.1	4.9	-1.0	6.2	-0.7	2.5	0.2	Jul-14	
<b>Total Alternatives Composite</b>	<b>194,565,598</b>	<b>18.4</b>	<b>0.2</b>	<b>2.0</b>	<b>7.4</b>	<b>0.4</b>	<b>11.3</b>	<b>10.3</b>	<b>13.3</b>	<b>8.7</b>	<b>Feb-07</b>	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	10.2	Feb-07	
<b>Private Equity Composite</b>	<b>76,452,523</b>	<b>7.2</b>	<b>0.5</b>	<b>2.1</b>	<b>12.3</b>	<b>0.7</b>	<b>16.8</b>	<b>12.7</b>	<b>14.9</b>	<b>13.1</b>	<b>Dec-02</b>	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	12.7	Dec-02	
MERF - Ares Fund II	1,664,803	0.2	0.0	5.3	5.3	5.3	16.0	24.6	28.4	17.4	Apr-06	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	10.9	Apr-06	
Lexington Capital Partners	1,393,756	0.1	0.0	1.4	15.1	0.0	10.8	5.7	10.7	13.3	Dec-02	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	12.7	Dec-02	
Landmark Equity Partners XI	1,377,805	0.1	0.0	-0.3	12.5	0.0	16.4	10.7	11.8	-3.9	May-03	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	13.2	May-03	
Ares Corporate Opportunity Fund	652,462	0.1	0.0	8.3	5.1	0.0	-6.2	-1.6	6.9	9.9	Feb-05	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	11.5	Feb-05	
Parish Capital	3,080,312	0.3	0.0	12.1	17.7	0.0	20.5	13.8	11.6	2.9	Apr-05	
Russell 3000 + 3%			4.4	5.5	11.4	2.6	28.4	24.2	20.7	11.6	Apr-05	

International Fixed Income Allocation Index: Weighted average calculation using actual asset allocation percentages and benchmark index returns.  
SSGA Passive World Govt: Account was liquidated so performance is not applicable.

Returns are net of manager fees.



NEPC, LLC

August 31, 2014

# City of Hartford Municipal Employees Retirement Fund

## Net of Fee

	Market Value (\$)	% of Portfolio	Ending August 31, 2014					Inception		
			1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%) Since
<b>Private Debt</b>	<b>17,536,413</b>	<b>1.7</b>	<b>-0.3</b>	<b>4.2</b>	<b>2.6</b>	<b>-0.3</b>	<b>10.7</b>	<b>--</b>	<b>--</b>	<b>9.4</b> <b>Apr-13</b>
Russell 3000 + 2%			4.4	5.2	10.7	2.5	27.2	23.0	19.5	23.6 Apr-13
Smith Whitley & Co Pelham III Fund	2,786,320	0.3	0.0	7.0	12.8	0.0	25.1	--	--	19.3 Apr-13
Russell 3000 + 2%			4.4	5.2	10.7	2.5	27.2	23.0	19.5	23.6 Apr-13
Monroe Direct Lending Fund	3,687,364	0.3	-2.2	3.8	4.7	-2.2	--	--	--	4.7 Nov-13
Russell 3000 + 2%			4.4	5.2	10.7	2.5	27.2	23.0	19.5	17.3 Nov-13
Brightwood	5,335,583	0.5	0.0	0.0	0.0	0.0	--	--	--	0.0 Jan-14
Russell 3000 + 2%			4.4	5.2	10.7	2.5	27.2	23.0	19.5	10.7 Jan-14
Alcentra	5,727,146	0.5	0.2	11.4	0.4	0.2	--	--	--	-- Dec-13
Russell 3000 + 2%			4.4	5.2	10.7	2.5	27.2	23.0	19.5	13.8 Dec-13
<b>Real Estate Composite</b>	<b>47,754,657</b>	<b>4.5</b>	<b>0.4</b>	<b>3.4</b>	<b>4.5</b>	<b>1.0</b>	<b>7.1</b>	<b>6.0</b>	<b>8.0</b>	<b>-4.9</b> <b>Jul-98</b>
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	9.0 Jul-98
Cornestone	18,447,890	1.7	0.0	3.3	3.3	0.0	7.4	--	--	5.2 Jan-13
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	10.1 Jan-13
Real Estate - Land	190,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.9 Jul-98
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	9.0 Jul-98
New Boston Urban Strategy Amer Fund	3,922,495	0.4	0.0	-0.2	-0.2	0.0	3.3	5.1	8.1	-7.5 Jan-07
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	5.5 Jan-07
Heitman America Realty Fund	10,662,337	1.0	0.0	4.7	7.8	2.6	8.6	--	--	6.2 Apr-13
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	10.0 Apr-13
TA Realty	5,139,660	0.5	0.0	3.3	5.8	0.0	7.1	--	--	5.2 Apr-13
NCREIF Property Index			0.0	2.9	5.7	0.0	11.2	11.3	9.7	10.0 Apr-13
Tristan European Property	1,455,278	0.1	-1.6	-1.4	-4.7	-3.8	--	--	--	-- Dec-13
NCREIF ODCE			0.0	2.9	5.5	0.0	12.7	12.4	10.0	8.9 Dec-13
Oaktree Real Estate Debt Fund	385,000	0.0	0.0	--	--	0.0	--	--	--	0.0 Jul-14
SSGA US REIT Index	7,551,998	0.7	2.8	--	--	2.8	--	--	--	2.8 Jul-14
NCREIF-ODCE			0.0	2.9	5.5	0.0	12.7	12.4	10.0	0.0 Jul-14

Returns are net of manager fees.



NEPC, LLC

## Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of Return are annualized when the time period is longer than a year. Performance is presented gross and/or net of fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.



NEPC, LLC



**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** *Amc*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** Update from the MERF's General Investment Consultant—NEPC


NEPC representatives will attend the Pension Commission meeting on September 26, to discuss the quarter ended June 30, 2014 MERF performance, liquidity study and opportunistic real estate investments. Please see the following materials which they will utilize in their presentation:

- Quarter ended June 30, 2014 Performance
- Liquidity Study
- RE Recommendation—Opportunistic

CITY OF HARTFORD

MEMORANDUM

TO: Pension Commission

FROM:  Adam M. Cloud, Secretary

DATE: September 18, 2014

SUBJECT: Recommendation Regarding Investment in Landmark Real Estate Fund VII

Attached please find a report from NEPC, LLC ("NEPC"), the MERF's general and real estate investment consultant, recommending that the MERF commit to invest at least \$6 million in Landmark Real Estate Fund VII ("Landmark VII" or the "Fund"), as part of the MERF's opportunistic real estate allocation.

As you are aware, Landmark Partners ("Landmark"), the investment manager and General Partner, is headquartered in Simsbury, CT and is a investment firm that focuses on secondary market investing in private equity and real estate funds. Landmark has offices in Boston, New York and London.

While this would be the MERF's first investment in a Landmark-sponsored secondary real estate fund, the MERF has existing investments in four Landmark secondary private equity funds. These funds have performed very well as have Landmark's prior real estate funds.

Based on NEPC's recommendation and on Landmark's strong track record and attractive investment strategy, staff and I recommend that you approve at least a \$6 million commitment to Landmark VII and that I be authorized to execute the necessary documents to consummate this commitment. As is standard practice, this commitment will be subject to staff finalizing its due diligence and outside counsel's satisfactory review of the specific business and legal terms of the Fund.

I look forward to discussing this recommendation with you next week.





**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** *Amc*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** MERF Asset Allocation

Enclosed please find a memo discussing progress through June 30, 2014. We look forward to discussing this with you.



## CITY OF HARTFORD

OFFICE OF THE CITY TREASURER

ADAM M. CLOUD  
CITY TREASURER

### MEMORANDUM

**TO:** Pension Commission

**FROM:** *AMC*  
Adam M. Cloud, Secretary

**DATE:** September 19, 2014

**SUBJECT:** Progress on Target Asset Allocation

Attached please find an analysis prepared by the Investment Management Unit summarizing the MERF's progress in rebalancing to its long-term asset allocation that was adopted on July 1, 2011. At the time we had estimated a roughly four-year process for full implementation. As you will note, after three years significant progress has been made. Other than commodities, the funding of which has been deferred, all asset classes have been at least partially funded.

The analysis consists of a table showing the status of each asset class relative to its long-term target range and a chart showing progress toward achieving the specific target investment percentages. In summary, the table shows that nine asset classes are in their target ranges. Of these, seven have been moved into their target ranges and two have been maintained within their target ranges. Of the asset classes that are not yet in range, the investment commitments made to real estate will move that asset class into range as the real estate funds call down additional capital. The others are asset classes whose funding we have begun in a measured way (hedge funds) or deferred (commodities) or are the asset classes that will be reduced in order to fund them.

The chart shows that, as of June 30, 2014, almost all asset classes have been moved closer to their respective targets.

In closing, thank you for assisting staff and me in achieving this progress. As you are aware, this has been a very significant effort and one that will continue over the years ahead.

**MERF Rebalancing Activity**  
**June 30, 2014 vs. July 1, 2011**

**Current MERF Allocation vs. LT Target**

Vs. Long-term Target  
 In Range? In Range?  
 Y/N Y/N

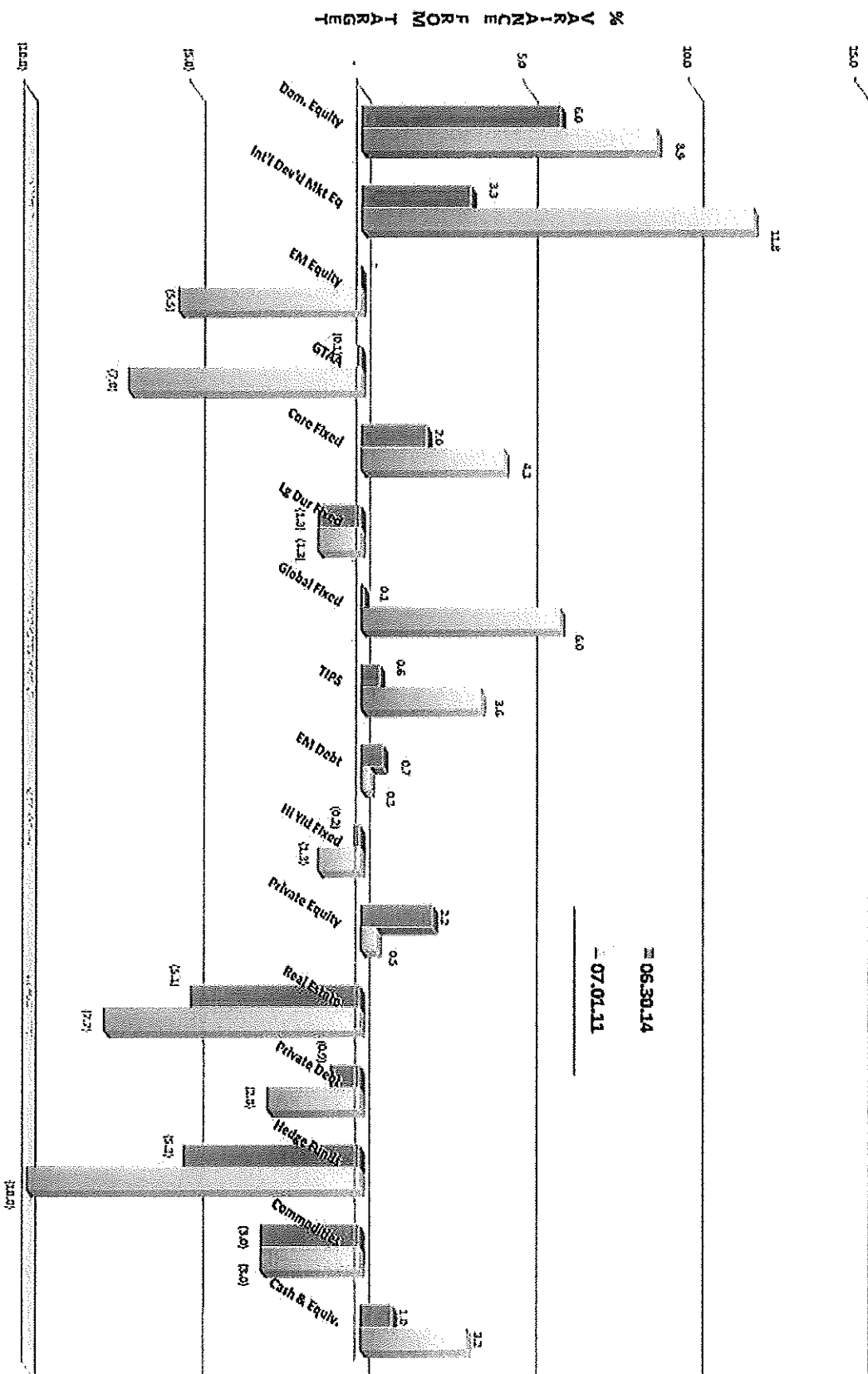
Asset Class	06.30.14		07.01.11		LT Target		Percent Improvement		06.30.14		07.01.11		NEPC B Target % Range
	Percent		Percent										
Dom. Equity	19.0		21.9		13.0		2.9		N		N		10 to 16
Int'l Dev'd Mkt Eq	13.3		21.8		10.0		8.5		N		N		8 to 12
EM Equity	9.0		3.5		9.0		5.5		Y		N		7 to 11
GTAA	6.9		-		7.0		6.9		Y		N		5 to 9
Core Fixed	7.0		9.3		5.0		2.3		N		N		3.5 to 6.5
Lg Dur Fixed	7.2		7.2		8.5		-		Y		Y		7 to 11
Global Fixed	3.1		9.0		3.0		5.9		Y		N		2 to 4
TIPS	4.6		7.6		4.0		3.0		Y		N		2.5 to 5.5
EM Debt	6.7		6.3		6.0		(0.4)		Y		Y		4 to 8
Hi Yld Fixed	3.8		2.7		4.0		1.1		Y		N		3.5 to 5.5
Private Equity	7.2		5.5		5.0		(1.7)		Y		Y		3 to 8
Real Estate	2.9		0.3		8.0		2.6		N		N		5 to 11
Private Debt	2.1		0.2		3.0		1.9		Y		N		1 to 5
Hedge Funds	4.7		-		10.0		4.7		N		N		8 to 12
Commodities	-		-		3.0		-		N		N		2 to 4
Cash & Equiv.	2.5		4.7		1.5		2.2		Y		N		0 to 3

100.0 100.0 100.0

Asset Classes in Target Range

9	2
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**MERF**  
**Change in Asset Allocation Variance**  
**Long-term Target**  
**06.30.14 vs. 07.01.11**





**CITY OF HARTFORD**

**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** *ame*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** Proxy Voting Service Request for Information

We are preparing to issue an RFI for proxy voting services and will report to you when responses are received by the Treasurer and staff.



## CITY OF HARTFORD

OFFICE OF THE CITY TREASURER

ADAM M. CLOUD  
CITY TREASURER

### MEMORANDUM

TO: Pension Commission

FROM: Adam M. Cloud, Secretary *AMC*

DATE: September 19, 2014

SUBJECT: Proxy Voting Services Recommendation

The purpose of this memorandum is to recommend that you approve of the MERF issuing a Request for Information ("RFI") from qualified vendors to provide proxy voting services to the MERF. The MERF's contract with Institutional Shareholders Services ("ISS") for proxy voting services is set to expire on December 31, 2014. The annual cost of this contract to the MERF is currently \$20,776.

As you are aware, the ability to vote the proxies of the MERF's equity holdings is an asset to the MERF and the requirement to vote them in the best interests of the MERF participants is a fiduciary duty.

To date, the MERF has conducted research and determined that there are a limited number of alternative service providers, to ISS. Based on your approval, the MERF will determine the qualifications of selected firms and present a summary and recommendation for your approval.

Accordingly, I recommend that you approve the MERF issuing a RFI for a proxy voting services contract with ISS and authorize me to execute the necessary documents to achieve this result.

I look forward to discussing this matter with you at our upcoming meeting.



**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** *ame*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** Proposed Schedule of the MERF's Investment Managers Annual Performance Review Meeting Dates for FY 2014-2015

Attached for your review is the proposed schedule of the MERF's investment management annual performance review meeting dates for FY 2014-2015. Please review and let me know if the dates are good for you.



CITY OF HARTFORD  
PENSION COMMISSION

MEMORANDUM

To: Pension Commission

From: Adam M. Cloud, Secretary

Date: September 18, 2014

Re: Consideration of Schedule of Annual Performance Review Meetings  
With Investment Managers for FY 2014-2015

<u>Manager</u>	<u>Date</u>	<u>Location</u>
HIMCO	Tuesday, September 30, 2014	Capital Grille
Atlanta	Tuesday, October 7, 2014	Costa Del Sol
First Eagle	Thursday, October 16, 2014	Francesco's
SouthernSun Asset Mgmt.	Thursday, November 30, 2014	Carbone's
Prudential	Thursday, December 11, 2014	Max Downtown
Eagle Capital Mgmt.	Thursday, January 6, 2015	Capital Grille
Brown Brothers Harriman	Thursday, February 5, 2015	Francesco's
PIMCO	Thursday, February 19, 2015	Carbone's
Mondrian	Thursday, March 5, 2015	Max Downtown
Walter Scott	Thursday, March 19, 2015	Capital Grille
Shenkman Capital	Thursday, April 9, 2015	ON 20 Club
VOYA	Thursday, April 16, 2015	Salute
BlackRock	Thursday, April 30, 2015	Max Downtown
Wellington	Thursday, May 14, 2015	ON 20 Club
Parametric Eaton Vance	Thursday, June 4, 2015	Capital Grille

- Carbone's is located at 588 Franklin Avenue, Hartford (tel. 860-296-9646)
- Costa Del Sol is located 901 Wethersfield Ave, Hartford (tel. 860-296-1714)
- Francesco's Ristorante 318 Franklin Avenue, Hartford (tel. 860-296-3024)
- Max Downtown is located at 185 Asylum Street, Hartford (tel. 860-522-2530)
- ON 20 Club is located at One State Street; Hartford (tel. 860-722-5161) Parking is available in the garage.
- Salute Restaurant is located at 100 Trumbull Street, Hartford (tel. 860-899-1350)





**CITY OF HARTFORD**  
**PENSION COMMISSION**

**MEMORANDUM**

**To:** Pension Commission  
**From:** *Amel*  
Adam M. Cloud, Secretary  
**Date:** September 18, 2014  
**Subject:** Other Business

We will discuss the following item at the meeting.

- Transition Management
- LISC amendment
- Deferred Compensation Contract Extension